

Message Text

UNCLASSIFIED

PAGE 01 ROME 07543 101236Z

42

ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 INRE-00 SSO-00 NSCE-00

USIE-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01 INR-07

NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02 LAB-04

SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 PA-02 PRS-01

L-03 H-02 /108 W

----- 043767

O R 101019Z MAY 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 7482

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USDEL MTN GENEVA

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

UNCLAS ROME 07543

PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJ: MORE EXCHANGE CONTROL MEASURES

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PAGE 02 ROME 07543 101236Z

REF : ROME 7459

1. /SUMMARY/. TWO ADDITIONAL EXCHANGE CONTROL MEASURES WERE INTRODUCED ON MAY 7 WHICH: (1) REQUIRE EXPORTERS TO OBTAIN FOREIGN CURRENCY FINANCING OF THEIR EXPORT CREDITS IN AN AMOUNT EQUAL TO 30 PERCENT OF CREDIT, SO THAT THIS PORTION OF EXPORT PROCEEDS MAY BE SURRENDERED IN ADVANCE OF CONTRACT TERMS AND (2) PROHIBIT ITALIAN BANKS FROM GRANTING "OVERNIGHT" OR "TOMORROW NEXT" LIRA CREDITS TO FOREIGN BANKS WHICH HAVE TAKEN SHORT POSITIONS IN LIRE. /END SUMMARY/.

2. PARTIAL FOREIGN FINANCING OF EXPORT CREDITS.

AS ANTICIPATED IN REFTEL, GOI HAS NOW IMPOSED REQUIREMENT THAT EXPORTS DENOMINATED IN FOREIGN CURRENCY FOR WHICH EXPORT CREDIT OF UP TO 120 DAYS FROM DATE OF CUSTOMS CLEARANCE HAS BEEN EXTENDED MUST BE FINANCED IN FOREIGN CURRENCY UP TO AMOUNT OF 30 PERCENT OF VALUE OF EXPORT CREDIT. FOREIGN FINANCING OBTAINED WOULD THEN BE REPAID UPON RECEIPT OF EXPORT PROCEEDS FROM FOREIGN PURCHASER. OBLIGATION APPLIES TO EXPORT OPERATIONS OF OVER FIVE MILLION LIRE. EFFECT OF MEASURE IS TO FORCE ITALIAN EXPORTERS TO OBTAIN PARTIAL FOREIGN RE-FINANCING OF THEIR EXPORT CREDITS THROUGH ITALIAN BANKS, WHICH IN TURN WILL SEEK SUCH CREDIT IN FOREIGN MARKETS. FOREIGN BUYERS OF ITALIAN GOODS WOULD NOT BE DIRECTLY AFFECTED BY MEASURE SINCE ITALIAN EXPORTERS COULD CONTINUE TO EXTEND NORMAL EXPORT CREDIT TERMS. HOWEVER, IN PRACTICE, THE NEW MEASURE CREATES A DISINCENTIVE TO DO SO. PROCEEDS FROM FOREIGN FINANCING OF EXPORT CREDIT MUST BE DEPOSITED IN ITALIAN BANK WITHIN 7 DAYS AND BE USED OR SURRENDERED WITHIN SUBSEQUENT 7 DAY RETENTION PERIOD. INTENT OF MEASURE IS TO HELP OFFSET ADVERSE LEADS AND LAGS ON EXPORTS BY FORCING PARTIAL SURRENDER OF EXPORT PROCEEDS IN ADVANCE OF EXPORT CONTRACT TERMS.

3. /PROHIBITION OF VERY SHORT-TERM LIRA/FOREIGN CURRENCY CONTRACTS/.

SECOND MEASURE PROHIBITS ITALIAN BANKS FROM ENGAGING IN LIRA/ FOREIGN CURRENCY CONTRACTS (WHEREBY BANKS AGREE TO CEDE LIRE FOR FOREIGN CURRENCY) WHENEVER SETTLEMENT OF CONTRACT IS CALLED FOR ON SAME DAY OR FOLLOWING DAY. IN EFFECT, BANKS ARE FORBIDDEN TO GRANT VERY SHORT-TERM LIRA CREDITS TO FOREIGN BANKS WHICH

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PAGE 03 ROME 07543 101236Z

HAVE TAKEN SHORT POSITIONS IN LIRE. FOR EXAMPLE, FOREIGN BANK WHICH HAS TAKEN SPECULATIVE SHORT POSITION IN LIRE IN ANTICIPATION OF DECLINE IN LIRA EXCHANGE RATE MAY SEEK VERY SHORT-TERM CREDIT TO COVER THIS POSITION IN EVENT THAT LIRA RATE HAS NOT FALLEN AS MUCH AS EXPECTED. AVAILABILITY OF SUCH LIRA CREDIT HAS FACILITATED FOREIGN BANKS' SPECULATION AGAINST LIRA. WHILE SUCH SPECULATION CAN CONTINUE EVEN AFTER LATEST MEASURE, NON-AVAILABILITY OF THIS TYPE OF CREDIT WILL MAKE SUCH OPERATIONS

LESS CONVENIENT.VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, FOREIGN EXCHANGE CONTROLS, CURRENCY CONTROLS, LIRA
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME07543
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760179-0990
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750562/aaaacecr.tel
Line Count: 116
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 ROME 7459
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUL 2003 by maginmm>; APPROVED <21 JAN 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MORE EXCHANGE CONTROL MEASURES UNCLASSIFIED
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006